

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-05

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 5140

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E.O. 11652: N/A

TAGS: MASS, BE, US

SUBJECT: FMS AIFV SALES EFFORT

REF: (A) USNATO 5000; (B) SECDEF MSG 8547, SEPT. 19, 1975

SUMMARY: ASSOCIATE MANAGER, EUROPEAN OPERATIONS, FMC, SHAW
BRIEFED US LAST WEEK ON STATUS
OF THEIR PROGRAM TO SELL FMC ARMORED INFANTRY FIGHTING
VEHICLE (AIFV) AND M113A1S TO GOB. BASED ON TECHNICAL
SPECIFICATION AND PRICE, FMC APPEARS IN EXCELLENT POSITION.
HOWEVER, BY OWN ADMISSION, THEY LACK EXPERIENCE IN FIELD
OF ECONOMIC COMPENSATION AND REQUESTED EMBASSY ASSISTANCE.
EMBASSY OFFERED GUIDANCE AND APPROPRIATE ASSISTANCE BUT
NOTED THAT WE COULD NOT TAKE AS ACTIVE A ROLE AS IN F-16
NEGOTIATION, WHICH IS GOVERNMENT-TO-GOVERNMENT CONTRACT.
END SUMMARY.

1. GOB IS PLANNING TO REPLACE ITS AGING FLEET OF 168
US M75 AND 346 FRENCH AMX 13S ARMORED PERSONNEL CARRIERS
(APC) IN THE 1979-80 TIME FRAME. BELGIAN ARMY STAFF HAS
UNDERTAKEN COMPREHENSIVE STUDY OF VARIOUS TRACKED AND
WHEELED APC VEHICLES FROM THE US, FRANCE, SWITZERLAND
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AND OTHER COUNTRIES. FROM DISCUSSIONS WITH THE BELGIAN

ARMY STAFF, FMC UNDERSTANDS THAT THERE ARE ONLY TWO REMAINING CONTENDERS, THE FMC AIFV AND THE FRENCH AMX 10P, AND THAT A DECISION WILL BE TAKEN IN EARLY DECEMBER 1975 ON WHICH TYPE OF APC TO PURCHASE AND WHETHER A MIXED FLEET OF WHEELED AND TRACKED VEHICLES IS DESIRED. IF GOB DECIDES ON PROCUREMENT OF ONLY TRACKED VEHICLES, FMC BELIEVES THEY ARE IN AN EXCELLENT POSITION TO NEGOTIATE A SALE OF APPROXIMATELY 1,100 TO 1,200 AIFV AND M113A1 VEHICLES, WITH FIRST DELIVERY IN 1979. GOB PROGRAM IS PRESENTLY ESTIMATED TO BE 8.1 BILLION BF OR \$201.4 MILLION.

2. FMC HAS BEEN ADVISED FROM VARIOUS BELGIAN ARMY SOURCES THAT THEIR MAIN COMPETITOR HAS PROVIDED A COMPLETE SALES PACKAGE TO GOB WHICH INCLUDES 70 PERCENT COMPENSATION. THIS HAS NOT BEEN CONFIRMED. FMC HAS PROVIDED TECHNICAL DATA AND PRICING INFORMATION, BUT TO DATE HAS NOT COMPILED AN ECONOMIC COMPENSATION PACKAGE VERBALLY PROMISED TO MR. JEAN BOLAND, CHIEF OF SECTION OF INDUSTRIAL COMPENSATION, MINISTRY OF ECONOMIC AFFAIRS, GOB, ON OCTOBER 1, 1975. FMC HAS FORWARDED NECESSARY TECHNICAL SPECIFICATIONS AND PERSONNEL TO BEGIN NEGOTIATIONS ON OCTOBER 8, 1975, WITH BELGIAN FIRMS ON PRODUCTION OF AIFV AND M113A1 COMPONENTS. TO COMPLEMENT THIS EFFORT, FMC HAS SIGNED A MOU WITH HENSCHEL ENGINEERING S.A. AS A BELGIAN BUSINESS PARTNER FOR THE PROGRAM. THEY ALSO HAVE A SUBSIDIARY IN ST. NICHOLAS WHICH WILL BE USED FOR PART OF THE VEHICLE FABRICATION. TO MEET FRENCH COMPETITION, HOWEVER, FMC HAS BEEN ATTEMPTING FIND CO-PRODUCTION FACILITIES IN WALLOON PART OF BELGIUM TO BALANCE FLEMISH PRODUCTION, BUT HAS THUS FAR BEEN UNABLE TO FIND COMPANIES IN WALLONIA WHICH WILL DISCUSS CO-PRODUCTION WITH THEM. AT PRESENT RATE, FMC WILL NOT BE READY WITH ITS PRESENTATION TO MEET EXISTING BELGIAN DEADLINE OF DECEMBER 1 AND IS SEEKING USE VISIT OF FMC VICE PRESIDENT NIELSEN IN MID-OCTOBER TO OBTAIN POSTPONEMENT OF PRESENTATION. NIELSEN WILL DISCUSS THIS FURTHER WITH EMBASSY ON OCTOBER 14 WHEN HAS HAS APPOINTMENT WITH AMBASSADOR.

3. MR. SHAW STRESSED FMC'S INEXPERIENCE WITH ECONOMIC LIMITED OFFICIAL USE

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COMPENSATION NEGOTIATIONS AND REQUESTED EMBASSY PROVIDE ANY ASSISTANCE OR GUIDANCE WHICH COULD FURTHER FMC'S SALES PROGRAM.

4. SINCE THE IMMEDIATE PROBLEM FOR THE COMPANY IS INSUFFICIENT TIME IN WHICH TO PRESENT A FIRM OFFER TO BELGIUM, WE ADVISED USING MR. NIELSEN'S VISIT TO SEEK A DELAY ON BELGIAN DECISIONS. WE WOULD USE THIS TIME TO

EXTEND APPROPRIATE GUIDANCE TO FMC IN OVERCOMING ITS
CURRENT DIFFICULTIES IN PREPARING A COMPETITIVE OFFER.
WE NOTED, HOWEVER, THAT THE EMBASSY COULD NOT TAKE ON
THE ACTIVE ROLE PURSUED ON THE F-16, WHICH WAS A GOVERNMENT-
TO-GOVERNMENT CONTRACT, BUT THAT WE WERE READY TO ASSIST
IN ADVISING THE COMPANY ON HOW BEST TO NEGOTIATE WITH
THE BELGIANS, TO GUIDE THEM TO APPROPRIATE BELGIAN
OFFICIALS AND COMPANIES, AND TO PROVIDE OTHER TACTICAL
ADVICE AS REQUESTED. MR. SHAW SAID HE UNDERSTOOD AND
WAS SATISFIED WITH OUR OFFER. FIRESTONE

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